

Message Text

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C O N F I D E N T I A L BRASILIA 5760

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TAGS: ENRG, ETRD, OVIP, BR

SUBJECT: DISCUSSION WITH FOREIGN MINISTER SILVEIRA ON PRODUCER/
CONSUMER DIALOGUE

FOR THE SECRETARY FROM UNDERSECRETARY ROBINSON

1. IN MY MEETING TODAY WITH FOREIGN MINISTER SILVEIRA HE AND I AGREED THAT MY TRIP HAD BEEN VERY CONSTRUCTIVE AND HELPFUL. HE WAS APPRECIATIVE OF OUR PROPOSAL TO ESTABLISH AN INFORMAL CONSULTATIVE GROUP ON ECONOMIC AFFAIRS WITH A SUB-GROUP ON TRADE AND READILY ACCEPTED IT. HOWEVER, HE HAD HOPED WE COULD ESTABLISH A BROADER "COMMISSION" THAT WOULD FOCUS ON MANY PROBLEMS INSTEAD OF ON THE MOST DIFFICULT PROBLEM AREA BETWEEN THE USG AND THE GOB, THAT OF TRADE. HE IS AWARE THAT WE WOULD RATHER NOT ESTABLISH SUCH A COMMISSION NOW, BUT WANTS US TO KNOW HE IS STILL INTERESTED IF WE CHANGE OUR MIND. WE POINTED OUT THAT OUR LIMITED CONSULTATION ARRANGEMENT ON ECONOMIC AFFAIRS DID NOT DILUTE IN ANY WAY YOUR STRONG INTEREST IN CONTINUING HIGH LEVEL CONSULTATIONS WITH HIM ON A WIDE VARIETY OF PROBLEMS.

2. ON ENERGY, SILVEIRA SAID THE GOB FULLY RECOGNIZED THE NEED TO MOVE FORWARD AS SOON AS POSSIBLE WITH THE PRODUCER/CONSUMER DIALOGUE AND THAT IT WOULD SUPPORT THE CONSENSUS VIEW FOR THE PLAN I PRESENTED TO THEM. HOWEVER, HE FELT THE NEW STRUCTURE MIGHT RAISE ORGANIZATIONAL
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PROBLEMS AND FAIL TO RESOLVE SUBSTANTIVE PROBLEMS. IN HIS

JUDGMENT, THE SUPPORT FOR THE PLAN BY IRAN, SAUDI ARABIA AND OTHERS IS LIMITED IN THAT SUCH ISSUES AS HOW TO SELECT THE 27, AND HOW TO DEAL WITH THE SUBSTANCE OF THE TWO NEW COMMISSIONS (COMMODITIES AND LEAST DEVELOPED COUNTRIES) WAS NOT WELL UNDERSTOOD AND WOULD BE DIFFICULT. AS AN EXAMPLE, HE SPOKE OUT STRONGLY AGAINST THE RECENT PAPER PRESENTED BY THE CONSUMER GROUP AS A PART OF THE COFFEE NEGOTIATIONS, SAYING THIS ACTION SET BACK THE PROGRESS BEING MADE AND ILLUSTRATED THAT THE US STANCE OF DEALING WITH SINGLE COMMODITIES ONE AT A TIME WOULDN'T WORK AND THAT THE OTHER COUNTRIES THAT WOULD BE DEALING WITH THESE ISSUES IN THE NEW COMMODITIES COMMISSION WOULD NOT AGREE WITH OUR APPROACH.

TO OVERCOME THE PERCEPTION THAT THIS WAS THE TOTAL EXTENT OF OUR IDEAS IN THIS AREA, I OUTLINED OUR OVERALL APPROACH TO THE COMMODITIES ISSUE POINTING OUT THAT OUR THINKING INCLUDED MUCH MORE THAN ONLY DEALING WITH A FEW COMMODITIES, ONE AT A TIME. HE WAS VERY SUPPORTIVE OF THIS OVERALL PLAN, BUT STILL INSISTED THAT LITTLE WOULD HAPPEN IN THE AREA OF SPECIAL COMMODITY AGREEMENTS. HE ALSO CITED KATZ' STATEMENT ON COMMODITIES OF TWO DAYS AGO AS ONE WHICH PULLED BACK FROM THE POSITION YOU HAD ALREADY SET OUT IN KANSAS CITY AND THE OECD.

3. HE CAUTIONED THAT BRAZIL WOULD NOT HAVE A GREAT DEAL OF INFLUENCE IN DETERMINING THE OUTCOME OF THE PROCESS SET IN MOTION BY THE PLAN TO RESUME THE PRODUCER/CONSUMER DIALOGUE BUT WOULD HELP WHERE IT COULD. HE REITERATED HIS BELIEF THAT ANY AGREEMENT BY IRAN, SAUDI ARABIA, VENEZUELA AND OTHERS TO GO FORWARD WITH THE DIALOGUE WAS, TO HIM, NOT DEEP. TO ANTICIPATE A HAPPY SOLUTION FROM A VERY UNHAPPY OPEC LDC GROUP (WHICH IS NOW FEELING PRESSURED BY MANY UNCERTAINTIES) WOULD BE UNWISE.

4. IN SUMMARY, SILVEIRA'S OPINION OF OUR PLAN TO RESUME THE PRODUCER/CONSUMER DIALOGUE IS THAT IT IS IMPORTANT TO MOVE AHEAD PROMPTLY AND THAT HE WOULD SUPPORT THE CONSENSUS. HE BELIEVES, HOWEVER, THAT THE PLAN IS MOSTLY ORGANIZATIONAL AND THAT THE SUPPORT EXPRESSED FOR IT SHOULD NOT BE TAKEN AT CONFIDENTIAL

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FACE VALUE. IN SHORT, HE IS NOT AT ALL CERTAIN THAT IT WILL WORK. HOWEVER, HE SAID HE VERY MUCH HOPED IT WOULD BE SUCCESSFUL. IN THE MEANTIME, HE PLANS TO CONSIDER THE PRODUCER/CONSUMER DIALOGUE MORE FULLY WITHIN THE GOB, AND WILL PROBABLY BE SENDING YOU A PERSONAL LETTER ON THIS ISSUE SOON. CRIMMINS

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